

State Notes

TOPICS OF LEGISLATIVE INTEREST

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Department of Information Technology: The First Year **by Bill Bowerman, Chief Analyst**

While Executive Order 2001-3 created the Department of Information Technology (DIT) effective on October 14, 2001, the DIT's identity as a State department remains obscure. Unlike other State departments, a majority of DIT employees remain physically located within other departments. Several of the Department's core administrative functions, including human resource services, services performed by the internal auditor, the public information officer, the legislative liaison, and part of financial services, are provided under contract by the Department of Management and Budget (DMB). The following is an overview of the current status of the Department of Information Technology.

Department of Information Technology Executive Orders

Executive Order 2001-3 stated that information technology functions, duties, and responsibilities assigned to various State departments could be more effectively carried out by a new Department of Information Technology, which would promote a unified approach to information technology management. The Department is charged with the goal of achieving the use of common technology across the executive branch, including:

- Coordinating a unified executive branch strategic information technology plan.
- Overseeing the expanded use of project management principles.
- Serving as a general contractor between the State's information technology users and private sector providers of information technology.
- Developing information technology budgets and setting standards for application development for executive branch departments.

Executive Order 2001-3 transferred to the DIT all information technology services that were previously located within any executive branch department or agency, and the following entities which had been located in the Department of Management and Budget:

- the Michigan Administration Information Network.
- the Computing Services Unit.
- the Information Technology Services Division.
- the Office of Project Management.
- the Information Technology Budget and Finance Division.
- the Office of Information Technology Solutions.
- the Telecommunications Services Unit.
- the Michigan Information Network Office.
- the Michigan Information Center.¹⁾

Executive Order 2002-2 transferred the e-Michigan Office to the DIT, maintaining the e-Michigan Office as a Type I agency. Subsequently Executive Order 2002-14, through a Type III transfer, abolished the e-Michigan Office and transferred its powers, functions, and responsibilities to the Department of Information Technology.



Department of Information Technology Funding

Because the Executive Order that created the Department was issued subsequent to the adoption of the fiscal year (FY) 2001-02 budget, FY 2002-03 is the first year with line item appropriations in a budget bill for the DIT. Prior to FY 2002-03, DIT expenses were paid directly out of existing appropriations within each department. The FY 2002-03 budget for executive branch departments and agencies creates a new Information Technology appropriation unit in each State department. This funding is the source for interdepartmental grant user fee revenue appropriated to the DIT in the General Government appropriation bill. The base funding for the DIT consists of existing appropriations for information technology functions within State departments and agencies. No new funds were provided for costs associated with the creation of the new Department. The DIT received the same standard adjustments that were applied to other budgets, including reductions to offset employee-related General Fund economic increases.

The Department's unclassified salaries, its administration, and the cost of e-Michigan are to be absorbed through savings generated by consolidation of information technology functions. The 2002 early retirement program also will result in reductions for the DIT. Approximately 17% of the Department's designated employees retired under the 2002 early retirement program. As of this date, no replacements are authorized. Therefore, while the FY 2002-03 General Government appropriation bill includes 1,765.4 FTE (full-time equated) positions and \$424,006,800 for the DIT, the actual number of funded positions is substantially below the appropriated FTE level. Table 1 delineates the costs that the DIT will have to absorb in FY 2002-03.

Table 1 Department of Information Technology Costs To Be Funded From Existing Resources	
Item	Amount
Unclassified Positions	\$300,000
Administrative Costs ²⁾	2,097,000
e-Michigan ³⁾	9,300,000
Early Retirement Savings	3,502,100
Total	\$15,199,100

Source: FY 2002-03 Appropriation Bill and Budget Development Detail.

The Department also will be affected by the 1% savings built into the FY 2002-03 budget for State departments. Departments will be submitting transfer requests to implement those savings. The information technology appropriations in each department could be affected, thereby further reducing funding for the DIT.

The Department plans to achieve savings by consolidating hardware and decreasing staff costs associated with hardware maintenance, taking advantage of economies of scale, and redeploying staff and resources. The Department is in the process of identifying common



technology needs in order to leverage resources that will result in cost savings. The DIT has consolidated the Help Desk staff for approximately 50% of all State users. Eventually, the Help Desks for remaining State agencies will be added to the consolidated process. Technical staff also have been combined in other areas to improve use of resources. The Department has plans to realize savings through a standardized procurement process for information technology purchases. The DIT approved \$6.2 million in End User Computer and Network-related purchase requests for the last quarter of FY 2001-02 compared with an average of \$27.2 million for fourth quarters in previous fiscal years. The Department states that this was the result of redeployment of existing equipment and "careful review of business needs" by the DIT procurement staff. While specific amounts were not given, the DIT also states that savings have been attained from the Oracle contract, the Dell Server agreement, a renegotiated contract with IBM, and Anti-Virus software standardization.

Conclusion

Coordinating and managing State government information technology functions present a complex task. For State government, the technology includes over 55,000 desktop computers, more than 2,000 communication lines, approximately 2,400 servers, widespread legacy databases, hundreds of business applications, and numerous operating systems.⁴⁾ Twenty-three states have separate information technology departments, 17 states have information technology directors who manage a division within a department, and seven states have chief information officers who work between a subdepartmental information technology function and the governor's office (which was the State of Michigan structure prior to Executive Order 2001-03).⁵⁾ Due to current budgetary constraints in Michigan, providing comprehensive management of information technology resources and activities at a reduced level of funding, as with most of the State's functions, is necessary with or without a separate department to oversee the State's information technology functions. As shown above, there are costs associated with the administration of a department. The question remains as to whether the DIT will be able to achieve savings sufficient to offset the costs of a department along with past and impending budget reductions. Failure to achieve savings will result in diminished information technology services and resources for State departments.

Footnotes:

- 1) Executive Order 2002-17, if not disapproved by the Legislature, transfers a portion of the Michigan Information Center to the Department of History, Arts, and Libraries.
- 2) Administrative costs for FY 2002-03 include \$1,627,000 in charges for internal audit functions, accountants, and human resources that are contracted services with the DMB, and \$470,000 for costs to process invoices and purchase orders that will be handled by DIT staff.
- 3) e-Michigan originally received funding in supplemental appropriation bills that included work project authorization. Executive Order 2002-2 transferred e-Michigan to the DIT. No funding was added for FY 2002-03 e-Michigan costs. Therefore, savings in the DIT budget or a reduction in services, will be necessary to fund e-Michigan.
- 4) Source: Department of Information Technology.
- 5) Compendium of Digital Government in the States, National Association of State Chief Information Officers, 2002.